

McLendon-Chisholm

Budget Process

1st QTR
OCT - DEC

- IDENTIFY NEW LONG RANGE PROJECTS AND GOALS
- APPLY UPDATED PREDICTIONS & ASSUMPTIONS TO EXTENDED BUDGETS

2nd QTR
JAN - MAR

- AUDIT FIRM AND AUDIT AD HOC COMMITTEE REVIEW FINANCIALS, ACCOUNTING PROCESSES AND INVESTMENT PROCESSES FOR COMPLIANCE

3rd QTR
APR - JUN

- VISIT WITH ALL CONTRACTORS TO IDENTIFY PROCESS IMPROVEMENTS TO SAVE CITY MONEY
- BEGIN WORK ON NEXT YEARS BUDGET USING EST. AD VALOREM AMOUNTS

4th QTR
JUL -SEP

- PLUG -IN CERTIFIED AD VALOREM \$ AMOUNTS
- FINALIZE NEW BUDGET
- REVIEW AND MODIFY INVESTMENT POLICY
- ADOPT NEW BUDGET AND INVESTMENT POLICY

Switching to a Cash Flow Focused Budget

- ▶ MC Cash Management Plan (MC-CMP)
 - ▶ Establish a MC-CMP that projects the City's monthly and yearly cash requirements and flows.
 - ▶ This plan shall define the use and interaction of the monthly operational cash accounts (checking) and the investment accounts (savings).
 - ▶ The plan will project the yearly (and monthly) flow of cash into and out of City coffers.
 - ▶ It will be the basis for managing inter-fund transfers between the City's operational cash, reserve and investment accounts.
 - ▶ It will project an accurate interaction with the approved budget and any projected shortfalls or excesses.

Switching to a Cash Flow Focused Budget

- ▶ The City Financial Officer shall monitor and manage the City's accounts
 - ▶ Maintaining accounts payable current within 45 days of date of invoices with a goal of 30 days being the operational norm.
 - ▶ Monitoring the respective rate of returns of invested reserves on the basis of periodic reports issued by the investment institutions.
 - ▶ Making periodic recommendations to the City Council for the purpose of maximizing those returns.
 - ▶ Submit quarterly budget to actual report to the City Council with an analysis of where potential problems either have or might occur.

Switching to a Cash Flow Focused Budget

- ▶ A quarterly summary report showing a list of investments of City funds, the market value of each investment, the total value of all investments and cash on hand in account.
- ▶ The annualized return for each investment for the previous calendar quarter and the projected return for the then current calendar quarter .

Earn a Larger Return on City Funds

- ▶ Keep City monies in City accounts as long as possible. All vendor contracts should be modified to monthly installments preferably net 15 or net 30 payments after invoicing.
- ▶ Set up Short Term (60 day) Lines of Credit with banks and other financial institutions to supplement revenues when needed.
- ▶ These Lines of Credit must be authorized by Council resolutions or ordinances.
- ▶ Modify our Investment Policy to allow investment in longer term AAA rated securities or FDIC insured investments

Pay off Long Term Debt

- ▶ Make it the City's official policy to set aside funds to call for redemption in 2025 as many of the long term CO bonds, 2026-35 maturities as possible.
 - ▶ If this goal is met it will net substantial savings in interest versus payment over the life of the bonds.

How Much is Substantial??

Maturity Year	Principal	Interest rate	Interest per yr	# of years saved	Savings
2035	145,000	4%	5,800	10	58,000
2034	140,000	4%	5,600	9	50,400
2033	135,000	4%	5,400	8	43,200
2032	125,000	4%	5,000	7	35,000
2031	125,000	4%	5,000	6	30,000
2030	120,000	4%	4,800	5	24,000
2029	115,000	4%	4,600	4	18,400
2028	110,000	3.5%	3,850	3	11,550
2027	105,000	3.5%	3,675	2	7,350
2026	100,000	3.5%	3,500	1	3,500
Totals	1,220,000				281,400